

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

December 05, 2018

MOTOR CARRIER MATTER

☐

DOCKET NO.

2017-292-WS

UTILITIES MATTER

☒

ORDER NO.

**THIS DIRECTIVE SHALL NOT SERVE AS THE COMMISSION'S ORDER ON THIS ISSUE;
SUCH ORDER SHALL BE ISSUED AS WRITTEN ORDER NO. 2018-802**

SUBJECT:

[DOCKET NO. 2017-292-WS](#) - Application of Carolina Water Service, Incorporated for Approval of an Increase in Its Rates for Water and Sewer Services - Staff Presents for Commission Consideration the Issues on Rehearing in Docket No. 2017-292-WS.

COMMISSION ACTION:

There were four issues to be considered on rehearing in this Docket. First, this Commission granted rehearing on the issue of whether certain expenses incurred in connection with the removal and replacement of the liner of the equalization basin of the Friarsgate Wastewater Treatment Plant are recoverable in this rate case. After the rehearing, Carolina Water Service and ORS agreed that \$1,079,133 should remain in plant-in-service. I therefore move that this amount remain in plant-in-service. Second, in its Petition for Reconsideration, ORS argued that the Commission adopted a rate design which unfairly distributed CWS's revenue requirement between the Company's two water service territories. Rehearing was granted on this issue, but after reviewing the testimony of Company witness Hunter, ORS no longer challenged the Company's rate design or calculations. Accordingly, rate design is no longer an issue in the case.

Third, ORS argued that the sludge hauling expenses were abnormally high during the test period and that the test year should be normalized. In the Commission's directive granting rehearing, the Commission requested that CWS update sludge hauling expenses for the most recent period available and provide, on a monthly basis, the amount of sludge hauled and the cost of transporting the sludge. The information presented shows a sizable decrease in sludge hauling costs during the most recent period available. For this reason, I move that we adopt the ORS adjustment to normalize such costs in this case.

Fourth, ORS requested reconsideration of litigation expenses. Based on new information presented at rehearing, I move that we deny litigation expenses associated with the Columbia River Keeper lawsuit. We agree with the ORS that the Company should not be allowed to recover its litigation expenses in this federal environmental action as the ratepayers derived no benefit from the expenditures. I move that we defer for future consideration the legal expenses associated with the Town of Lexington condemnation lawsuit, legal action due to the DHEC permit denial, and the I-20 connection case. Finally, I propose that we grant recovery of the costs associated with the legal action the Company undertook seeking a declaratory judgment against the Environmental Protection Agency (EPA), which one witness described as smart strategy. Company witness Babcock stated that although the case would have been a difficult one to win, it was a smart strategic effort to try to unlock the logjam created by the 1997 208 plan and the inability of CWS to gain an interconnection of the I-20 system to the Town of Lexington.

I further move that the Company's Winston and Strawn invoices be disallowed in this case based on the description of work performed relating to employee benefits and executive compensation and that expenses and allowances be included net of reallocations and disallowances. In addition, I move the following in regard to certain adjustments to litigation expenses:

- 1) that the Commission adopt the ORS reallocation of advances paid in connection with consulting services to the Town of Lexington condemnation case and that \$52,442 be included in the amount spent on that case;
- 2) that the Commission adopt the ORS position that costs associated with mailing, court reporting, and advances paid to consultants should be reassigned to the Congaree River Keeper case in the amount of \$21,049;
- 3) that other costs associated with Expenses and Advances should be allowed and included in amortization amounts;
- 4) that the Commission adopt the ORS view that costs of \$19,760 should be reallocated to the Congaree River Keeper case from the DHEC Permit Denial case to correctly allocate such costs;
- 5) that we accept ORS's correction of allocations from the I-20 Connection case with a reassignment of \$2,985 to the Town of Lexington condemnation case; and
- 6) that the Commission allow the assignment of costs to the Company's various legal actions of \$155,975 that ORS removed due to redactions reflected on legal invoices. I believe that the redacted material would not prevent a reader from determining the work that was performed.

In addition, I move that all legal expenses granted in this rehearing be amortized over the previously approved 66.67 years, with no carrying costs and that our Order reflect all fallout adjustments resulting from today's decision in this case.

Based on the rehearing adjustments adopted in this case, I also move that we Order the Company to lower its Sewer Service Revenue by \$111,990 which will cause the average sewer customers' bill to decrease by approximately \$0.68 (68 cents) a month. This will cause the Company's Operating Margin to change to 13.28%. The Return on Equity will remain at 10.50%, and the Return on Rate Base will remain at 8.62% as previously set by Commission in the original case.

Lastly, Mr. Chairman, I move that we require the Company to furnish its sewer customers with the Notice of this Commission's action which will be attached to the Directive in this Docket.

PRESIDING: Randall

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
ELAM	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ERVIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WHITFIELD	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WILLIAMS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

(SEAL)

RECORDED BY: J. Schmieding



Notice Regarding the Public Service Commission's Decision in Order No. 2018-802

REHEARING IN Docket No. 2017-292-WS: Application of Carolina Water Service, Inc. for Approval of an Increase in Its Rates for Water and Sewer Services

On September 6, 2018, the Public Service Commission of South Carolina (PSC or Commission) held a Rehearing on certain issues raised during the original Carolina Water Service, Inc. (CWS) merits hearing to the above referenced docket. The following four issues were under consideration at the Rehearing: sludge hauling expenses, litigation costs, Friarsgate EQ basin liner project, and rate design.

After the Rehearing, the Office of Regulatory Staff (ORS) and CWS agreed that the previously approved expenses incurred for removal and replacement of the EQ basin liner should remain in plant-in-service. Additionally, after review of testimony regarding rate design, ORS no longer challenged the CWS rate design or calculations.

On December 5, 2018, based on the evidence presented during the Rehearing, the Commission approved an adjustment to normalize sludge hauling expenses by decreasing these recoverable expenditures by \$96,892. Additionally, the Commission denied litigation expenses associated with the Columbia Riverkeeper lawsuit; deferred for future consideration the legal expenses associated with the Town of Lexington condemnation lawsuit, legal action due to DHEC permit denial, and the I-20 connection case; and granted recovery of costs associated with the legal action CWS undertook seeking a declaratory judgement against the Environmental Protection Agency. Further, certain adjustments were made to litigation expenses. A copy of the Commission Directive explaining these adjustments can be found here: <https://dms.psc.sc.gov/Web/Matters/Detail/280506>

The Rehearing adjustments approved in this case results in a decrease in sewer service revenue of \$111,990, which will cause the average sewer customers' bill to decrease by approximately \$0.68 (68 cents) a month.

Residential Sewer Service

Sewer Collection & Treatment Only	Current Rate	Commission Approved Rate
Residential (per unit)	\$65.77	\$65.09
Mobile Homes (per unit)	\$47.94	\$47.26

Sewer Collection Only	Current Rate	Commission Approved Rate
Residential (per unit)	\$65.77	\$65.09
The Village Sewer Collection (per SFE)	\$34.18	\$33.50

*SFE – (Single Family Equivalent) Determined by using SC Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities